

Networks, SMEs Management Styles and Technology Policy in Kenya

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Abstract

Sub-Saharan Africa in general and Kenya in particular, provide a challenging business environment to any would-be investor. In this contribution the authors first present an overview of the economic, sociocultural and institutional hurdles for small-scale entrepreneurship. These include lack of education and/or experience, gender issues, age of the company, informal economy, access to capital, access to networks, lack of cooperation, lack of equal opportunity and finally the management styles. These challenges notwithstanding, there are some success stories that flourish, in spite of rather than because of the prevailing situation on the ground. Many entrepreneurial initiatives explicitly try to learn from the current policy failures and find spontaneous ways to overcome the sociocultural and institutional hurdles mentioned above. Moreover, some progress is being made by the Kenyan government in terms of policy regulations, which creates a forum for sectoral cooperation, albeit slowly. For this reason, the paper will in particular focus on the impact of management styles. This is the point, according to the conviction of the authors, where a difference can be made. Virtues and values that specifically enhance the productive capacity, such as improved communication, initiative, and more egalitarian management are not inborn and can be learned through training and practice. Two exemplary cases will be put forward, one negative, one positive, which are intended to show that focus on management styles may also be conducive to more effective business policies in general. Management styles and technology policies are required that explicitly defy the compartmentalization of the society by cultivating a community spirit in which differences may flourish. This should be supported by government policies and regulatory frameworks, which create room for equal access to opportunities and allow for a fair playing ground in an open civil society. This is a continuous and not so simple struggle. In one case that the authors present the management style is an obstacle for growth while in the other one a more promising approach comes to the fore. They conclude that much more attention should be paid to ways in which the management and culture of a company is framed as a success factor for small SMEs.

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Key words:

Entrepreneurship, innovation, management styles, institutional framework, network formation, technology transfer.

Introduction

For the last six years (since 2008) students from the Technical University Delft (TU Delft) have been taking part in an internship program in Kenya on a variety of topics related to the management of technology transfer, and social entrepreneurship. Their internship projects have included assignments on solar energy, wind energy, biogas, check dams, wetlands, solid waste management, greenhouse management, and niche management among other things. These internships aim at a solid scientific research base for the management of technology, by means of feasibility studies, business plans, and so on. In order to add value and ensure inclusiveness, the internships are carried out in the context of an incubator or innovation system involving various social, civil and academic actors (Ndegwah et al, 2011). These internship projects are carried out under the supervision of Dr. Otto J. Kroesen from Technical University of Delft (Netherlands) and Dr. David J. Ndegwah, of Jaramogi Oginga Odinga University of Science and Technology (Kenya). The present essay is based on experiences and cooperation within this program.

First the authors will provide a general picture of entrepreneurship by small and medium-sized companies in developing countries and particularly Africa. Next they will focus on the impact of management styles. Mostly this issue is skipped in the literature, because it is seemingly too sensitive, or it is touched upon only superficially, because many authors underestimate its impact. However, it is the conviction of the present authors that differences in management style constitute possible turning points for change. In order to corroborate this view they will discuss two cases, a negative one and the more promising one. Together these two are deemed as indicative of the problems and the opportunities of entrepreneurship in Kenya and elsewhere in the developing world. In the conclusion it is pointed out that the way forward for small SMEs in Africa entails a conscious application of management styles that bridge the gap between African and Western values. In order to be relevant and effective, such management styles should innovate the different value sets, and at the same time blend them into a specifically African version of modernity.

Entrepreneurial Characteristics in Developing Countries

A brief survey of five African countries (Botswana, Kenya, Malawi, Swaziland, and Zimbabwe) indicates that the SME sector generates a substantial part of the employment and economic output. The people employed by SMEs are twice as many as those in registered large-scale enterprises and the public sector (Mead & Liedholm, 1998). Most of the micro and small firms in developing countries, however, do not expand beyond a few employees. A survey of 28, 000 SMEs in Africa and Latin America indicates that less than 3% expand by 4 or more employees after start-up (Liedholm, 2002; Mead & Liedholm, 1998). The situation is compounded by the fact that it is a huge challenge to obtain the real statistics of business in developing countries.

Why do these SMEs not grow? We mention nine factors: education and/or experience, gender, the age of the firm, formality or informality, access to capital, social networks, cooperation, governance and management style. The last three issues in particular offer opportunities for change, whereas the first six take a longer perspective. Cooperation, governance and management style together represent the cultural and institutional framework within which companies operate. It is important to note that these three together are not so much subject to external constraints as the first six issues; and as such they represent opportunities for internal strength and growth. Our focus therefore will be on these three with a special emphasis on the management style, because it is not a matter only of an individual company, but it also affects the sector wide cooperation and the methods of governance.

Entrepreneurial Hurdles in Developing Countries

1. Education and experience

Firms with better educated owners and managers tend to function more efficiently than those that are managed by less educated leaders (Burki & Terrell, 1998; Tan & Batra, 1995). In developing countries, however, education is not as common as in the developed world. Primary education completion rates are only up to 60% in Sub-Saharan Africa, 80% in South Asia, and 90% in the Middle East and North Africa (Worldbank, 2005). Finishing secondary school has been established to have a positive effect, for example, on firm growth in Kenya and Zimbabwe (McPherson, 1991; Mead & Liedholm, 1998; Parker, 1995). Thus it can be argued that education is a necessary tool for the promotion of growth and efficacy of

entrepreneurship in Africa,² although it will take a long time perspective to change the present situation.

2. Gender

The majority of SMEs in developing countries are owned and managed by women, because they have limited access to opportunities within the existing job market structure (Rubio, 1991). Research found a mean of 61% of SMEs that are owned by women in a study of nine developing countries in Africa and Latin America (Mead & Liedholm, 1998). It further indicates that women face numerous gender related challenges for the growth of their SMEs. They include asymmetrical rights and obligations, disproportionate household responsibilities, innumeracy and illiteracy. Others are lack of business skills, and unequal access to markets (Downing & Daniels, 1992; Kevane & Wydick, 2001; Kantor, 2005). Consequently, women owned SMEs tend to grow less quickly than SMEs owned by men (Mead & Liedholm, 1998). The other challenge facing women in developing countries is that over 80% of them are 'homeworkers', which means that they are confined to household owned industries. Household firms are often smaller in average and are less likely to grow compared to other SMEs (Mead & Liedholm, 1998). These challenges notwithstanding, women owned SMEs play a crucial role in increasing and diversifying household incomes. With the small but regular contribution of the women's enterprise, husbands have more space to fulfill their entrepreneurial aspirations. Women's roles will change slowly, but this change once more refers us back to the issue of management styles. It is a different management style that can improve the situation for women and with it their lot in life.

3. The Age of the Firm

In Africa, young SMEs show high rates of growth more often compared to SMEs that have been around for a long time (Mead & Liedholm, 1998; Parker, 1995). Jovanovic (1982) gives a possible explanation for this situation, in which he proposes a learning model whereby a firm expands quickly in the beginning and then tapers off growth as it seems to approach its optimal size. Against this theory though, research has confirmed that firms actually suffer

² There are, however, many cases where people who did not finish secondary education, or did not have it at all, succeeded in entrepreneurship, as opposed to cases of some who finished their secondary education but failed in entrepreneurship. This in itself, cannot lead to any firm conclusion because it does not in any way indicate how those who succeeded without secondary education would have fared if they had had the education. It does not also say what could have happened to those who had secondary education but failed in entrepreneurship had they not been educated.

productivity losses with aging (Burki & Terrell, 1998), a factor that severely stifles and sometimes completely inhibits their growth. The reason is that firms fail to invest sufficiently in new technologies. The relationship between firm age and growth is, however, more complex; which forms an incentive for several researchers to develop frameworks based on a life-cycle approach (Nichter & Goldmark, 2009).

4. The Informal Sector

A large portion of the economy in developing countries is informal (Schneider, 2002). In 2004 research indicated that 55% of the non-agricultural workforce in Latin America was informal, in Asia this was 45-85%, while in Africa it was 80%. Small firms can circumvent government regulations and taxation, but when they grow they risk becoming more visible, which gives a reason not to expand beyond a certain size (Snodgrass & Biggs, 1996). This means that informal firms cannot become too large, grow rapidly or have close connections with formal firms (Winter, 1995). However, when firms are informal they have less access to the government and to the international market (Nichter & Goldmark, 2009). Informal businesses hardly access financial and legal systems to obtain formal credit and assistance from law enforcement agencies and courts to protect them from financial liquidation like bankruptcy. This may be reinforced by governance systems that do not create equal access and depend on patronage systems. By this last remark we once more are referred to issues of management style and culture.

5. Access to Capital

In terms of expansion, SMEs tend to face more serious constraints to access capital than larger firms because they lack collateral or guarantors. In a study of 10,000 firms across 80 countries it was found that credit is mentioned often as a constraint for growth of the business (Schiffer & Weder, 2001). A research with surveys of 10,000 firms in 80 different countries showed that inflation and exchange rate indeed tend to affect small firms more than large ones (Schiffer & Weder, 2001). The same study found that financing is one of the top three challenges that SMEs have to contend with.

Typically in developing countries, SMEs do not get their loans from formal banks. They are dependent of other types of credit like trade credit, overdrafts and informal loans (Bigsten et al., 2003). Another option is microfinance institutions, but these have a much more limited outreach than traders who can provide working capital in cash, especially in rural areas

(Swinnen, 2005). It has also been observed that credit market failure in developing countries does not always put constraints on the SME growth. Thus the perception of the owners does not necessarily correspond with the reality of the actual barriers (Schiffer & Weder, 2001; Nichter & Goldmark, 2009). Although there is a definite and positive link between access to capital or credit and business growth (Nichter & Goldmark, 2009), the extent of the relationship between finance and growth is fluid. Other factors like efficiency and the cultural and institutional impediments mentioned later on also play a role. For instance, it may be too easy for an entrepreneur who displays lack of initiative and planning to put the blame on the lack of capital.

6. Social Networks

Social networks can help an entrepreneur to surmount obstacles like transaction costs, contract enforcement and regulations, as well as in learning from the experience of other collaborators (Nichter & Goldmark, 2009). Entrepreneurs from Ghana, as one research shows, prefer to do business with individuals they already know and can, therefore trust (Fafchamps, 2000). The last mentioned example, however, is ambivalent and warns of the demarcation line between networks and patronage systems. Patronage systems create hierarchical dependencies and are not open to non-members. Networks, on the contrary, are open and flat. If access to a social network is made expensive and entrepreneurs cannot get enough capital to gain entry, or a network systematically provides unequal access to resources, based on gender, class or even social grouping, it turns out to be a patronage system instead of a network (Max Tack 2010, OSSREA 2009). Such patronage systems create an unequal profit distribution, unequal access to resources, and a lack of stability (Nichter & Goldmark, 2009), and their usefulness declines if they are too much focused on the in-group (Luo, 1997). An institutional framework of patronage systems and privileges put limitations on growth of companies in general, but especially on the smaller ones. This brings us to the issue of lack of cooperation.

7. Cooperation

With the issues of social networks and cooperation we get closer to the main point we want to make in this essay. The biggest problems are not in the hardware, but in the human software, that is, the minds and hearts of the people involved. It is their often unconscious value sets and entrenched habits and ways of dealing with each other that constitute one of the main problems to be dealt with. Sectoral cooperation, notwithstanding the fact that they are also competitors, can help SMEs to expand and grow their businesses. Unity is strength and if the

stakeholders approach their problems as a group, the government and other players are more likely to listen to them than when they approach issues as individual SMEs. Elsewhere the authors pointed out that a cultural climate of closed in-groups and closed institutions, selective trust instead of anonymous trust, a not fully developed civil society in which the association and regrouping of individuals is normal, explain for a large part the lack of economic growth in Africa (Ndegwah and Kroesen 2013). The same factors also create obstacles for the growth of SMEs. This feature is often reinforced by governance styles. This is particularly the case if specific subgroups succeed in securing their privileges by their representatives (often those on top of patronage system) in the government bureaucracy (OSSREA 2009).

8. Governance

Analysis of firms from 54 countries shows that challenges in finances, legal options and corruption are disproportionate to the growth of SMEs (Beck, Demirguc-Kunt, & Maksimovic, 2005). Examples of this disproportionate relationship include high taxes that keep enterprises small and informal (De Soto, 1989), regulatory and institutional challenges that hinder enterprises from growth-enabling investments, and, as we already mentioned, privileged treatment of in-groups. Whereas subsidies and trade protection help larger firms, which are more capable of lobbying (Tybout, 2000), this cannot be said to be the case for SMEs. Moreover, smaller firms suffer more from unpredictability or lack of clear-cut government policies with regards to the development and growth of SMEs (World Bank, 2005). More often than not government policies to stimulate an entrepreneurial environment for the SMEs also prevent them from growing too large. For example, India has policies to stimulate small enterprises, but these measures backfire when the size of the company grows beyond a specified level which entails losing valuable benefits (Little, Mazumdar, & Page, 1987; Mitra & Pingali, 1999). Apart from this bottleneck, manufacturing of certain products is limited to small firms in India, hence they can never expand beyond a certain point (World Bank, 2005). It is particularly important that governments create equal opportunities by the implementation of universalistic rule of law and transparency of finances. In addition, and in line with that they can create an enabling environment for the growth of SMEs. Often SMEs are prevented to grow by vested interests and their refusal of the law of 'creative destruction' (Schumpeter). Acemoglu and Robinson (2013) put forward that non-inclusive political institutions reinforce extractive economic institutions and that the vested interests in the

economy of those politically in power makes them avoid the creative destruction, necessary for innovation.

9. Management styles and culture

Evidence found in sub-Saharan Africa suggests that on average organizations have serious problems in motivating their employees (Blunt & Jones, 1992; Kiggundu, 1988). This could be due to the fact that there is a disconnect between the nature of the firm and its management, and the wider societal context from which the staff is drawn. An example is the arrogant colonial way of management style, which was laced with ignorance or outright contempt for the local culture. After colonialism this management style developed into a more performance-based and result oriented system, which is still driven by neoliberal calculative principles that at the core tend to dehumanize the subjects. It is reinforced by the traditional culture of power distance between the top and the bottom in African societies. But colonialism took away the checks and balances of the traditional chief and elders system by making the chiefs accountable to the colonial powers and not anymore to the elders and the age groups (Acemoglu & Robinson 2013, Easterly 2006). It is basically a top-down style whereby all decisions are made at the top without input from the lower cadre of management, who are expected to obey without question. In response the lower cadre of management and every individual strategically calculates actions for their own benefit. This failure to capture the wider societal values of entrepreneurship and community is hampering development of effective and adaptive organizations in Africa (Jackson et al, 2008).

As exposed, the problems are manifold, but this paper focuses on the management culture, because it appears that herein lies opportunities for effective change. In terms of management culture, two problems stand out. The first one is the compartmentalization of the Kenyan society due to closed competing organizations with a collectivist attitude. The second one is the level of hierarchical control or in other words, the power distance versus more egalitarian and open relationships (Trompenaars 1997, Hofstede 1997). If these two cultural characteristics dominate it becomes difficult to take initiative, work towards change, use effective time management and the like. In short, they block an entrepreneurial attitude. This problem is mostly overlooked in the literature on entrepreneurship and if it is recognized at all it is simply stated that a more entrepreneurial attitude should be introduced in Africa (Samli 2009). It takes training, education, coaching, and more specifically on the job training is effective. The company itself is the training institution where change can take place, if

managed in the right way. In order to make this point the paper puts forward two cases. The first example shows the potential destructiveness of the combination of collectivism and hierarchy (reinforced by uncertainty avoidance). The second example may show the way forward: a labor organization flourishing by mutual responsibility and equal treatment of its members.

Wanga Company

Tom Alpha³ started a company in manufacturing canvas products. He learned as much as he could about the business during his employment at a European manufacturer of canvas products. He took his knowledge and some of the employees with him 15 years ago to start his own canvas business, next to his house with an office in the living room. Tom also offers training to young men and girls that want to become canvas designers or tailors. They pay him KShs 50.000 (about 500 euro) for a two-year training, and after half a year into the course they get a little salary. Tom says he breaks even doing it this way, and he does not make a profit. He hopes that his students will stay and work for him, but most of them start their own canvas companies. Some even take away his customers, because they are the ones maintaining the customer relations while Tom is out trying to find new ones.

There is one lady working in the office, who keeps track of all the work, appointments and finances of the firm. She also brings the workmen tea with milk and provides a listening ear when they have a problem. She is Tom's right hand employee and fulfills a mediating role between him and other employees. There is a strong hierarchical structure in the company; first comes the manager and his secretary, then the tailors, the cutters and the bonders. The tailors, bonders and cutters come in this order because of the hardness of the skills. It turns out that there is yet another person on the pay role, Tom's wife, who also receives a full time salary because she is registered as a manager. In reality she runs a hair salon and is not involved in the running of the company on a day to day basis, other than the fact that she lives in the house attached to the office and workshop. There are some fixed employees that come every day and some that Tom can call when they are wanted for a big assignment. One of the tailors is his nephew. He is often drunk and is paid per hour. Tom helps him out, because he is

³ The names of the company and people involved in this case have been anonymized to protect the identity of the respondents.

a relative. All the other employees are also from the same tribe. This is because Tom finds his new employees through the people he trusts, who happen to be his tribesmen.

The business is not very successful and yet they are very proud that they are able to make anything that is made of canvas. And yet is hard to distinguish their business skills from their weaknesses because of the broad market they target. The main practice during the rainy season is fixing tents in safari camps and finding new customers. The company is servicing a bank loan, and as such there is no capital buffer. When a customer places an order he or she has to pay a down payment to enable the company to buy the required materials. There are almost no materials in stock because of the lack of capital. When the client does not want to pay the deposit Tom takes a loan from friends. This goes for the same or sometimes even higher rate than the bank loan he is servicing. The lack of capital, according to him, is also the reason why he cannot expand. When Tom has a large assignment he sometimes asks former students to help him out. There is still a little bit of cooperation between them, but when they do not need each other there is no contact. One of Tom's employees also started a business of his own, but returned after the failure of the firm. He could not manufacture canvas products himself, but used to be a salesman. His business idea was to start a briefcase shop where people would buy their canvas products and he would give the assignment to a manufacturer. He wanted to start for himself, because he was not satisfied at Wanga canvas. He thinks Tom should manage the place in a better way. So he thought he could do it better and make more money on his own.

In this case the collectivism and community feeling is quite obvious (Trompenaars 1997, Hofstede 1997). Tom takes care of people from his own tribe and is not making profit out of providing them training. He trusts people from his own community to come up with new employees, who are also from the same community. This way only members of this community are taken up in the company. What Tom did, and most of his employees follow suit, is copying the industry that he worked for when he started his own business. This seems to be a matter of uncertainty avoidance (Hofstede 1997), avoiding new paths. Stealing the idea from the company and taking your experience away from the company is not seen as a bad thing, but as a logical step. Here and in other examples we have seen that these spin offs do not always succeed, because the new starters had actually no idea about the work their bosses did. The reason why the employees take off to start their own company is up for discussion, but often the person feels undervalued because recognition and acknowledgement from the

manager for the job of the employee is lacking in the perception of the employee. This could be because managers tend to boss their employees around and seem to forget to give positive feedback, as a result of the power distance (Hofstede 1997). More often than not however, a mutual interpenetration or alternation of power distance and egalitarianism – in the form of feedback or criticism from the bottom to the top – is problematic.

It is not beneficial for employee satisfaction that Tom has his wife on the pay role while she actually does not work for the company. This form of particularism (Trompenaars 1997) as an effect that the employees who work for a salary are demotivated because someone else gets the same reward for doing nothing. In the case of Tom his employees are able to start their own companies and they also manage to take away his customers. This shows how important personal relations are. The interaction of the customer with the employees is more valued by the customer than their loyalty to the business they visit. The company also shows a synchronic way (Trompenaars 1997) of handling time: there is almost no planning. There is no tight schedule and no solid business model that provides the firm with a margin that can be saved and invested in growth of the company. There is only one female worker and she has a function in the company that is similar to a mother role. She keeps track of the agenda and finances, and tries to keep the peace by mediating between Tom and the employees, which again shows that the power distance is too large between Tom and his employees to function properly without her.

Ecosandals Company

Ecosandals started in 1995 as a Self Help Group. A number of friends wanted to serve the community in the poor neighborhood of Kariobangi, a slum in the east of Nairobi. The group developed into a company in 2007 when an American named Matthew Meijer passed by and decided to support the project. He gathered equity partners in the US that are not involved in the daily business, but have an interest to see the company grow. Matthew is the only one involved in the day to day decisions of running the company and he is answerable to those partners. Now it has developed into a socially responsible and viable commercial company with the goal of employing people in order to empower them.

The company structure is not very hierarchical. There is a coordinating team that consists of Michael, George, William and Rose. William is the supervisor of this coordinating team and

leads the weekly meetings. The four of them have meetings to discuss the week targets for each one of them and together they give feedbacks for the previous week's results. Then the coordinating team separates and collects their team of manufacturers to discuss the new targets and to make a planning. All team members of the manufacturing team are allowed to give their input. This way every person that works in the company is involved in the way the company operates. In this way a new equilibrium is created between hierarchy and egalitarianism. Everybody takes part in the team decisions. The goal is to share and learn from each other to improve the production process.

New employees are trained for six months during which time they are paid a fixed salary per day. The timeslots for their education are very flexible as they are not obliged to be present for the whole week. The newcomers do not need any qualification; all they need is interest to work in the company. The people are selected in the process of training after which the participants are allowed to leave the company right away. It is part of the social responsibility of the firm to provide this education, sometimes the company does not benefit from it at all. Once employees are in they become part of the team and the production methods are taught by the whole group of manufacturers.

The manufacturers are paid per product. This is a stimulant to work when they are around and not just sit in the work place and waste time. They can come whenever they want, but because many of the employees like the work they come in time and almost every day. Punctuality is desired, which is why lateness is sanctioned with a reprimand. On the other hand, the level of production receives more emphasis, which is why it is not very strict how long one stays in the factory as long as they work hard enough. The permanent employees are paid on the last Friday of each month, whereas casual workers are paid per week for what they have done. In this way an equilibrium is created between long-term planning and the synchronic traditional attitude of the workers.

Team spirit is a key issue in the way the company works. The only restriction for the employees is that they cannot learn how to manufacture the sandals at Ecosandals and then steal the design to go, produce, and sell them elsewhere. That is not allowed. To start a similar company to manufacture sandals is all right as long as the designs delivered are different. Every worker with a fixed contract is a business owner. This means when the business grows, he or she gets a larger income, in terms of dividends, because the share is translated into

income. When employees want to become shareholders they have to buy themselves into the company with money or by offering expertise any skills they own. In this way an equilibrium is created between communalism and individual initiative.

The company is subdivided into segments, the local market, the international market and the production department. All workers are allowed to come up with new designs, but the coordinating team has to approve them in the weekly meetings. Sometimes they try new designs by making a few products and showing the new model to some customers. The company is also constantly improving the catalogue. It is allowed to introduce relatives into the company, but the coordinating team makes sure that there is no complacency when one of the team leaders has his or her family member working in the same team. With putting relatives into different teams this difficulty is solved. There is no differentiation in tribes, no tribal language is allowed and there is no team formation according to tribe. People around the world can find Ecosandals and audit their product via the website. There is also a Facebook page with pictures of the products and information on developments in the company, like new products, new people, vacancies, and other news. Furthermore people do find the company through mouth to mouth marketing, because others recommend Ecosandals. There are 30 different designs or SKUs (standard selling units), but every design a customer can think of and explain is possible to retrieve here.

When the company has to deliver an order the time span to produce the order is well planned and the technologies and capacity are taken into consideration before the customer is told when the delivery can be made. They even build in a margin of one week allowance, because shipping can sometimes take longer. This is more efficient in terms of the costs and keeps the customer satisfied. Ecosandals does not have fixed partners for delivering, since the market is dynamic and the best option in price differs from time to time. Ecosandals has a few partners for materials and a few regular customers. The products are sold in different places in and around the city. There is an agreement on the price the businesses have to pay for the sandals, but they can sell them at any price they want, depending on logistics like transportation, the people they have employed and government levies they have to pay.

The largest barrier for growth is, according to William, the lack of capacity, finance and skills. The other problem is that everybody targets the same market. This makes every segment highly competitive and makes finding the ideal market for the company very hard.

Many businesses depend on the local market, as opposed to the international market, because distribution of the products is another challenge. The roads in Kenya are bad and cannot handle the capacity of traffic. Nairobi particularly is completely jammed every morning and evening, making transport of products difficult.

One of the qualities of Ecosandals is the personalized services they offer. The quality of the products is good and this gives the customer confidence in the company and builds up trust to order more products. Ecosandals makes use of the feel good aspect that comes when they follow up with their customers. That is why they call to receive feedback and use that to improve the business process. William did business training at Uchumi, a large supermarket chain. At this traineeship he was taught that the customer has a right to shop in the place, and had to be treated with respect. There he learnt that it is good for a business to provide good customer service.

What is outstanding of Ecosandals is the fact that it is uppermost equal in power distance. There is as little hierarchy as possible without letting the organization adrift without any coordination at all. The team supervisors try to involve all the employees in decision making, which makes everyone strongly connected to the direction the company goes. This might be a result of the start of the firm when a group of friends established a self-help group, which was an entirely flat organization structure. Involvement leads to higher understanding of what a person adds to the organization, and therefore promotes mutual recognition. This is motivating for the performance of the employee in the function he or she has. This is visible when employees take their responsibility and tell when a target is not feasible. Responsible behaviour and good sequential planning is also recognizable in the way Ecosandals handles deliveries. What is feasible with the techniques and shipping is taken into consideration when promises are made.

The employees get paid at the end of the month and this works. There used to be a tendency not to come to work after salary was paid, since there was no need now that the person had some money. When the money was spent the employees would come back to work. This would take longer when a salary was paid per month, and the employee could get into trouble because of the lack of money for a longer period. That is why in most companies payment was done weekly. The fact that Ecosandals provides the salaries monthly has witnessed improvement in sequential thinking of the Kenyan people. A transition to a more sequential

time perception can be beneficial for entrepreneurship, because the employees are more reliable, even when they just got their pay check, and in terms of cooperation the communication is more effective when all parties tell immediately when they are able to do something or not. That the company puts focus on the quality and calls the customers after the purchase to get feedback testifies to its long term vision into the future. When they perform well now, it is possible to build up a future. The organization is more feminine because there are no separate roles for men and women. Ecosandals provides the trainings and a voice in the business to satisfy the employees. The firm is too small and therefore not able to promise all employees a career path in the company or pay all kinds of social securities.

Summarizing, Ecosandals is a company that serves the community. The firm takes care of many different kinds of people and makes no distinction. When a family member comes into the business there are arrangements to make sure that the whole team is treated equally. The company holds the middle ground between a communitarian and individualistic type of behavior. The people are all different, but because of the team spirit that prevails there is still a kind of solidarity to one another and a unity of purpose that fits the Kenyan community culture. The way this company functions shows an initiative taking atmosphere to change things in society from within the people. The self-help group was established by a group of friends that wanted to educate more people. Now with the help of the American partner the group is able to educate, employ, and empower people. In this way not only Western values are adopted, like individualism and initiative, equal treatment and planning, but in the same process traditional values like a community spirit and synchronic time management are translated into the new situation. Old and new values open up to each other, ‘talk’ to each other, look each other into the face and find a middle way. This leads to the creation of true capacity.

Conclusion

SMEs in Africa face many challenges. It is not an easy task for them to grow. Lack of experience and education, gender roles, the age of a company and the relation to the formal economy, access to capital and networks, difficulties in cooperation, equal opportunities and governance – all of these constitute real obstacles for growth. Nevertheless, this challenging external environment can be met by inner strength. This inner strength is a matter of management style and that is the reason that this is our focus. Related to management style

are the issues of sectoral cooperation and governance regulation and policies. They represent the same challenges only on a larger scale. The closed world of compartmentalized in-groups should give way to an open universe of cooperation, and interaction. Within the traditional framework usually competition excludes any form of cooperation (Tack 2010). Within the codes of a civil society it is possible to cooperate in some respects while competing in other respects whilst keeping an open attitude. In this way closed in-groups are at the same time perforated and open to each other. In much the same way hierarchical command and egalitarian dialogue need not be exclusive, but can alternate between the same people and mutually interpenetrate. This flexible management style, marked by an attitude of openness, is completed by characteristics like adequate planning, initiative, and an innovative attitude – in short, all the qualities summed up in the Ecosandals case. This can only work, even within one particular company, if the different employees and groups/departments within the company are treated on an equal footing, without privileged and preferential treatment. This management style should also be characteristic of the style of governance on a larger scale: universalistic rules and regulations, free association of individuals and companies and changing coalitions. The regulatory framework and policies from the side of the government should create an equal level playing field for the different groups and parties involved in order to assure an open civil society in which not just one group takes control via the state bureaucracy.

In order to bring about this cultural and managerial change there is need for innovativeness, by which stumbling blocks are turned into stepping stones. The authors of this essay consider the management style and inner culture of a company as a possible turning point for such change. In the first case presented in this contribution this opportunity was not taken. The second case provides a much better starting point for change. Due to its inner strength this company will survive and it will even have the potential to change its environment. It sets a new standard and this opens the way for overcoming many of the other obstacles for the growth of SMEs mentioned earlier. Take the lack of education or the difference in gender roles, for instance: if companies set a new standard by creating internal cohesion, mutual responsibility, egalitarian and vibrant communities of innovation, such issues can be tackled much more effectively. What is done in this regard in individual companies can be replicated on a larger scale by cooperation of many companies, each its own unique ways.

History has shown many cases in which it is not the money, but the spirit that moves people forward. In this context it is important to note, that lack of (strong) government legislation also creates an opportunity. It is almost a blank cheque for the players to ethically set the pace and rules for industrial cooperation as well as dos and don'ts, and actually use the market dynamics to determine the kind of legislation that needs to be put in place. In this way companies can push the government to improve on governance as well. In other words, there is need for more companies like Ecosandals. Although Kenya has not reached the required level in terms of cultural and institutional development, many Kenyans have made major strides in creating a more open society, establishing cooperation and building trust across differences, regulated by the rule of law. More and younger entrepreneurs are at the forefront promoting egalitarian relationships, personal initiative, and equal access. Only such transparency will stimulate openness and cooperation between different stakeholders (Collier, 2010).

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